

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson
James R. Helmer

SUBJECT: SEE BELOW

DATE: May 9, 2005

Approved

Kay Winer

Date

5/10/05

**SUBJECT: COOPERATIVE PURCHASE OF MICROSOFT SOFTWARE
FROM MICROSOFT**

RECOMMENDATION

- 1) Approve Microsoft Select License Agreement for State and Local Government ("Select Agreement"), a cooperative agreement between the State of California and Microsoft Licensing GP ("Microsoft") for three years for advantage pricing of Microsoft software products as may be required by the City.
- 2) Report on Request for Quote for authorized resellers for the Select Agreement and award of purchase order to PC Mall Gov, the lowest quotation, and authorizing the Director of Finance to:
 - a. Execute purchase order for Microsoft software products with PC Mall Gov Inc. as the Microsoft Reseller for an initial purchase in the amount of \$1,391,100, which includes sales tax, and for additional purchases of Microsoft licenses on an as-required basis for a period of twelve months after the initial award is placed without further Council action other than the appropriation of funds.
 - b. Exercise two one-year options to execute the annual purchase orders, for a total of three years without further Council action other than the appropriation of funds in order to be consistent with the term of the Select Agreement.

BACKGROUND

Select Agreement Renewal

The Select Agreement is a cooperative agreement between the State of California and Microsoft for volume software licensing that offers a variety of Microsoft product licenses at discounted rates for purchase by state and local government agencies. Cities are allowed to leverage these discounts by purchasing under this Agreement and taking advantage of the buying power of the

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State of California. The Select Agreement offers discounts over retail rates on all Microsoft products. The most recent Select Agreement was entered into in January 2002 and expired in January 2005. Since there were no immediate requirements for Microsoft products, the expiring contract was not renewed by the City at time of expiration. Historically, the City of San Jose has utilized the Select Agreement to purchase a wide variety of Microsoft software licenses such as:

- 1) Exchange (5.5, 2003, CAL and Server Enterprise);
- 2) Windows Server (2000, 2003, CAL, Standard and Enterprise);
- 3) Windows 9X, 2000, XP;
- 4) Office (9X, 2000, XP, 2003);
- 5) BackOffice (CAL and Server);
- 6) FrontPage, Visio; and
- 7) Publisher, Photodraw, MS Project

The current Microsoft Windows Client Access Licenses (CALs) are version 2000 and need to be replaced with version 2003, the latest version available, in preparation for the deployment of new servers required as part of the transition to the New City Hall.

Standardization

Microsoft software is currently used citywide and has long been the industry standard desktop operating system. Microsoft has been the City's recommended standard for Server Operating System, Email Exchange and various Windows applications since 1990; the Windows Server Operating System was endorsed by the Information Technology Planning Board (ITPB) and approved as City standard by the Director of General Services on September 7, 2004 (Attachment A). This standard will expire on June 30, 2005. Pursuant to Council's directive issued by Council on January 25, 2005, a new procurement form with signatures of the Information Technology Director, Finance Director and Purchasing Manager was executed to validate the continuation of Microsoft as the City's standard operating system. The duration of this standard will be reviewed by the ITPB as part of its Citywide Technology Master Plan development in the fourth quarter of 2005.

ANALYSIS

Select Agreement:

Approval of the Select Agreement provides convenience, flexibility and best pricing to acquire licenses for Microsoft products for the next three years. There is significant cost benefit to the City by leveraging the State's purchasing power under the Select Agreement. For the calendar years 2001 through 2004, the City saved approximately \$800,000 by purchasing under the statewide Select Agreement. The Select Pricing offers discounts of approximately 30%-50% over full retail prices depending on product. Due to the significant number of new licenses required for the transition to the New City Hall, the current annual projected savings will approximate the savings achieved over the last four years. Below is a comparison of the

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projected annual costs between Select pricing and Retail pricing, as well as related projected savings:

Product Type	Estimated Initial Qty	Retail		Select	
		Unit Price	Extended Price	Unit Price	Extended Price
Exchange CAL 2003	6,500	\$88.00	\$572,000	\$43.08	\$280,020
Windows CAL	6,500	\$40.00	\$260,000	\$18.60	\$120,900
Office Professional	2,100	\$499.00	\$1,047,900	\$294.00	\$617,400
Total			\$1,879,900		\$1,018,320

Projected Annual Savings = \$861,580

Report on RFQ and Selection of Vendor:

Microsoft does not sell its products directly under the Select Agreement. Under the Agreement, the City has the choice of various Large Account Resellers (LARs) and/or Value Added Resellers (VARs) to make the actual purchases of Microsoft products. In order to select a reseller and evaluate their respective markups, Staff determined that a Request for Quote (RFQ) was the appropriate solicitation approach for this procurement. As a result, the Purchasing Division issued a price determinative RFQ for the initial software requirements to authorized resellers. Four companies responded with a quote. The results of the quotes are summarized in the table below:

Description	Qty	PC Mall Gov	CompuCom	Software Spectrum	ComputerLand
1. Server 2003 CALS	6500	\$117,845	\$117,650	\$122,135	\$122,850
2. Exchange 2003 CALS	6500	\$273,000	\$272,480	\$282,815	\$284,570
3. Office 2003 Professional	2100	\$601,965	\$600,726	\$623,574	\$626,829
4. Windows WP Pro	48	\$5,621	\$5,610	\$5,823	\$5,855
Subtotal		\$998,431	\$996,466	\$1,034,347	\$1,040,104
5. 12-Mo Qty Assumption (Office)	1000	\$286,650	\$294,000	\$296,940	\$298,490
Total		\$1,285,081	\$1,290,466	\$1,331,287	\$1,312,591

After taking into consideration the initial and projected requirements in the next twelve months, PC Mall Gov was the lowest (Total) quote. The application of a preference as a local business enterprise to Computerland's quote resulted in no effect on award of contract. Therefore, staff recommends award to PC Mall Gov Inc., the lowest overall quote.

OUTCOME

The renewal enrollment of the Select Agreement will enable the City to continue receiving discounted rates for Microsoft software products.

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PUBLIC OUTREACH

Not applicable.

COORDINATION

This memorandum has been coordinated with the offices of the City Attorney, City Manager and City Manager's Budget.

COST IMPLICATIONS

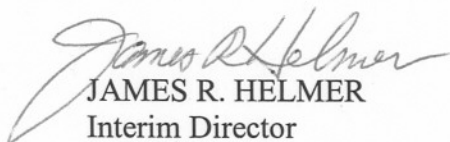
This Council item is consistent with General Principle #2, "We must focus on protecting our vital core city services," and Item #7 "We must continue to streamline, innovate, and simplify our operations...so that we can deliver services at a higher quality level, with better flexibility, at a lower cost."

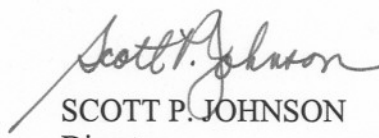
BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	Total Appn.	Amount of order.	2004-2005 Adopted Budget (Page)	Last Budget Action (Date, Ord. No.)
473	5152	Technology, Furniture and Equipment	\$37,242,422	\$1,329,042	Adopted Capital Budget, p. V-1127	10/12/2004 Ord.27267
523	0802	Airport Non-Personal/ Equipment	\$36,387,720	\$62,058	Adopted Operating Budget Page XI-3	2/8/2005 Ord. 27350

CEQA

Not a project.


JAMES R. HELMER
Interim Director
Information Technology


SCOTT P. JOHNSON
Director
Finance Department

Non-Competitive Procurement Justification Form

This justification form shall be used to document a business case for non-competitive procurements including, but not limited to: standardizations, sole source procurements and pilot programs. All information must be provided and all questions must be answered. The "Required Approvals" section must include a date for each signature, as appropriate for the transaction.

Department Contact Information

Department and Contact Information:

Information Technology Department
Vijay Sammeta
277-2346

Required Contract Information

Contractor: MicroSoft Corporation

Address:

One Microsoft Way
Redmond, WA 98052-6399

Contact Person and Telephone Number:

Microsoft does not sell directly to customers; various resellers are available

Type of Product / Service Offered (briefly describe):

Software

Complete responses must be provided for all of the items listed below

A. GENERAL INFORMATION:

1. Is there an existing "Standardization Memo" or an IT Planning Board approval for this product? Was it approved more than 12 months ago?

(Please provide documentation if available)

Microsoft has been the City's recommended standard for Server Operating System, Email Exchange and various Windows applications since 1990. Windows Server Operating System was endorsed by the ITPB and approved as the City standard by the Director of General Services on September 7, 2004. This standard will expire on June 30, 2005 (see attached memo).

2. How and when did you create the specifications for this requisition? Who was involved?

Council approved the NCH Technology, Furniture, and Equipment spending plan on February 3, 2004. This plan included server and desktop licenses required to support the technology at the NCH.

3. Why do you believe that only this supplier can provide the required goods or services?

(Explain why the acquisition cannot be competitively bid)

The City currently uses at least four different MS licenses on each of the over 6,500 PC's deployed Citywide. This includes MS operating system, MS Office, server and Exchange Client Access Licenses.

It is estimated that thousands of hours would be required to migrate to a non-MS environment and train staff on how to use and maintain the new software. Testing, implementing, and confirming interoperability with existing systems for an alternative technology would be a large undertaking with a significant one-time investment from the City. MicroSoft is recognized as a major provider of enterprise applications and a great majority of commercially available "off the shelf" software is tested to be compatible with Microsoft products.

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4. What are the consequences of not purchasing the good/service or contracting with the proposed supplier?

Microsoft software is currently used citywide and has long been the industry standard desktop operating system. In addition, Microsoft has been the Information Technology Planning Board (ITPB) recommended standard for Server Operating System, Email Exchange and various Windows applications since 1990. Microsoft applications are foundational for the City's enterprise systems. Over \$2.3M has been invested in these systems and selecting a different software would require a multi-million dollar investment and immeasurable staff hours of training.

The current Microsoft Windows Client Access Licenses (CALs) are version 2000 and need to be replaced with new 2003 CAL version in preparation for the deployment of new servers/email required as part of transition to converged network for New City Hall.

5. What market research was conducted to substantiate no competition, including evaluation of other items considered?

Were there other items with less restrictive specifications available? (Provide a narrative of your efforts to identify other similar or appropriate goods/services, including a summary of how the department concluded that such alternatives are either inappropriate or unavailable. The names and addresses of suppliers contacted and the reasons for not considering them must be included OR an explanation of why the survey or effort to identify other goods/services was not performed.)

N/A

B. PRICE ANALYSIS:

1. How was the price offered determined to be fair and reasonable?

(Explain what the basis was for comparison and include cost analyses as applicable.)

The Select Agreement is a cooperative agreement between the State of California and Microsoft for volume software licensing that offers a variety of Microsoft product licenses at discounted rates for purchase by state and local government agencies. Since Microsoft does not sell direct, the City has the choice of various Large Account Resellers (LARs) and/or Value Added Resellers (VARs). In order to select a reseller and evaluate their respective markups, a Request for Quote (RFQ) was issued. Four companies responded with a quote and a joint Council Memo from Finance and Information Technology is agendized for May 10, 2005.

2. Describe any cost savings realized or costs avoided by acquiring the goods/services from this supplier

(For "standardization" requests please address savings with regard to: a) repair/maintenance, b) training, c) supplies/spare parts, d) equipment modification not needed, e) matching with existing equipment)

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* Note, for standardizations that are going to still be competitively quoted, please use the Purchasing Administrative Manual standardization memo process.

Required Approvals

Requesting Department Director

☒ Approved ☐ Denied

Purchasing Manager / Agent

☒ Approved ☐ Denied

Finance Department Director

☒ Approved ☐ Denied

Remit completed form to: Purchasing Division, 1661 Senter Road, 2nd Floor, San Jose, CA 95112



Memorandum

TO: Director of General Services**FROM:** John Alden
Purchasing Manager**Subject:** SEE BELOW**Date:** September 7, 2004

Approved

Date

9/7/04

**Subject: REQUEST FOR STANDARDIZATION OF CITY-WIDE SERVER
OPERATING SYSTEM SOFTWARE TO MICROSOFT
WINDOWS.**

Due to the increased use of technology in the organization, the City of San Jose's Microsoft Windows Based server computer inventory has grown to an estimated size of over two hundred units. The purchase price of these units is comprised of two components, hardware and software. The base portion of the software is known as the Operating System. The applications, which run on these servers, are generally written for a specific operating system. The operating system is essential for the proper operation of the system. The Information Technology Department (ITD) recommends that the Microsoft Windows Server Operating System be accepted as a City Standard. This recommendation is consistent with the previous work done by the Information Technology Planning Board (ITPB). It is recommended that this standardization be effective until June 30, 2005 and subsequently re-evaluated.

Standardization Basis:

Currently almost all of the existing 6000 desktops city-wide are running a version of the Microsoft Windows operating system. In addition of the 146 Intel processor based servers that are planned to migrate to the New City Hall, 141 of them are running a version of the Windows operating system. Much of the commercially available software both in use today and being developed requires the Microsoft Windows Server Operating System software. In order for the City to utilize existing windows based applications and to provide the ability to take advantage of newly developed windows software, Microsoft Windows Server Operating System software must be utilized.

Compatibility Issues Minimized - Migration and Support:

- Of the 146 Intel based servers that are to migrate to the New City Hall, 141 of them are running a version of the Windows operating system. In addition approximately 112 applications that currently require the Microsoft Windows Server Operating System software will be migrating to the New City Hall. Some of these applications may be available on other operating system platforms but the migration to a new operating system generally would require the re-purchase of the application, which has been designed for that new operating system. Most of these applications can only run on the Microsoft Windows Operating System platform and the City has no choice but to utilize the Microsoft Windows Operating System. If the remaining applications that could migrate to another operating system were ported to another operating system, it would likely substantially increase the complexity, time, risk, and cost of moving the server functionality to the New City Hall.
- Upgrading to a new version of Windows operating system, rather than selecting another operating system, for the 100+ applications will likely go much smoother and be done in a more timely manner than replacing the Operating system. Most applications are dependent on a single type of Operating System and therefore it is expected that the current applications would need to be replaced, not simply ported or upgraded. If applications can remain on the Windows Operating System, it is expected that the user interface for the applications will remain very similar.
- The City's current investment in Windows applications going to the New City Hall will be at less risk with a server operating system upgrade than a server operating system replacement. Because the current hardware environment is supported by Windows, there is a reduced risk that a particular hardware sub-component will be supported or have a proper interface (driver).

User Personnel Experience and Training:

- With over a hundred Microsoft Server based applications across the organization, there is an inherent familiarity end users have with the Windows software. While most users do not directly access the servers, they do run applications that are based on the Windows user interface. This institutional knowledge of windows at the desktop results in reduced training and an increase in user efficiency. The Windows Server Operating system supports applications that use this same "look and feel" which allows users to more intuitively operate their applications.

Technical Staff Experience and Training:

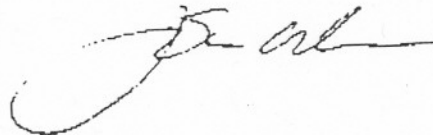
- The technical support staff have an extensive working knowledge of the Windows Operating Systems. This experience allows a technician to effectively diagnose

and repair numerous types of software issues. In addition, staff has the training on how to secure computers based on Windows. It is estimated that all of the estimated 20 technicians City-wide would need to spend considerable time learning a new operating system if non-windows computers were purchased.

- Familiarity with the Microsoft Server and its associated product line also facilitates decision making by the user department with respect to purchases of new applications. Users become aware of specification issues on hardware sizing, software compatibility and other issues.
- The City and staff have invested extensively in the Microsoft Certification Program. All Network Engineers and Network Technicians have Microsoft certification which validates knowledge on the Microsoft operating systems and products.

Determination:

Based on the information above, I believe that this standardization will result in significant cost savings to the City and therefore request that the Windows Server Operating System be set as the standard for desktop computer. This recommendation is endorsed by the ITPB.



John Alden
Purchasing Manager